

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 SS-20 NSC-07 STR-08 PA-04 PRS-01

USIA-15 AID-20 CEA-02 CIAE-00 COME-00 EA-11 FRB-03

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INFO USMISSION EC BRUSSELS

AMCONSUL MILAN

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USMISSION OECD PARIS

TREASURY DEPARTMENT WASHDC

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E.O. 11652: N/A

TAGS: EFIN, IT

SUBJ: SINDONA'S BANCA PRIVATA ITALIAN TO BE LIQUIDATED

REF.: ROME 12737 DATED SEPTEMBER 17, 1974

1. MILAN FINANCIAL DAILY "IL SOLE-24 ORE" ON SEPTEMBER 17 REPORTED THAT SINDONA'S BANCA PRIVATA ITALIANA (BPI) WILL BE LIQUIDATED AND NEW BANK CREATED. PARTICIPATION IN CAPITAL OF NEW BANK WILL BE DIVIDED AMONG MEMBERS OF BANKING CONSORTIUM SET UP BY BOI TO BAIL OUT BPI (SEE REFTEL). DETAILS OF CAPITAL SHARES NOT YET AVAILABLE, BUT BANCO DI ROMA REPORTEDLY WILL

ROVIDE 40 PERCENT OF CAPITAL WHICH WOULD CONSTITUTE LARGEST SINGLE SHAREHOLDING AND WHICH WOULD PERMIT BANCO DI ROMA TO APPOINT MANAGING DIRECTOR OF NEW BANK SUBJECT TO AGREEMENT ON APPOINTMENT BY OTHER CONSORTIUM MEMBERS.

2. "IL SOLE-24 ORE" REPORTS THAT LOSSES OF BPI AMOUNT TO ABOUT UNCLASSIFIED

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160 BILLION LIRE (ABOUT \$241 MILLION AT \$1.00 EQUALS 663 LIRE),

NOT TAKING INTO ACCOUNT ANY LOSSES INCURRED IN CONNECTION WITH OPERATIONS INVOLVING SINDONA'S FRANKLIN NATIONAL BANK IN US. ARTICLE ADDS THAT ONLY BY TAKING LIQUIDATION ROUTE WILL IT BE POSSIBLE TO ASCERTAIN EXTENT OF LOSSES OF BPI AND TO DETERMINE LEGAL RESPONSIBILITY THEREFOR. IN ANY EVENT, BANK OF ITALY WILL EVIDENTLY ASSUME ULTIMATE RESPONSIBILITY FOR UNCOVERED LOSSES OF BPI SO THAT DECISION TO LIQUIDATE BANCA PRIVATA SHOULD BE VIEWED WITH FAVOR BY ITALIAN AND FOREIGN DEPOSITORS IN BANK. NEWSPAPER POINTS OUT THAT TO ALLOW BANCA PRIVATA TO FAIL WOULD ONLY SERVE TO PUNISH UNJUSTLY THESE DEPOSITORS AND TO INFILCT SERIOUS BLOW TO FINANCIAL PRESTIGE OF ITALIAN BANKING SYSTEM. NONE-THELESS, DECISION OF BOI TO INTERVENE IN THIS CASE ALONG LINES ESTABLISHED AT BASLE MEETING OF CENTRAL BANKERS (I.E., TO HELP DESERVING BANKS IN DIFFICULT LIQUIDITY SITUATIONS) MAY BE SOURCE OF DISPUTE IN ITALY BECAUSE OF CONTROVERSIAL NATURE OF MATTERS RELATING TO SONDONA VOLPE

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